INVESTING IN RURAL PEOPLE
IFAD investor presentation 2021
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WHAT IS IFAD

Smallholder farmers
Rural transformation
UN agency
IFI
Last mile and remote areas
## IFAD at a glance

1. **Founded in 1977** as a specialized UN Agency and Development Finance Institution
2. **177 member countries and cumulative capital contribution of US$9.4 billion**
3. **Provides loans and grants. More than US$22 billion of financing delivered in 43 years**
4. **Active in 93 countries. Purpose is to end extreme poverty and hunger and to support smallholder agriculture that are impacted by climate change**
5. **Headquartered in Rome with 40 country offices**
6. **Rated AA+ by Fitch and S&P based on robust membership support, strong PCT, excellent capitalization, robust liquidity, extremely strong financial risk profile**
VISION AND MANDATE

Climate change
Food systems
Women’s empowerment
Fragile environments
Resilience

WHAT IS IFAD  VISION AND MANDATE  FINANCIAL STRENGTH  FUNDING  SDFF  ANNEXES
Why rural people and agriculture

Three quarters of the world’s poorest and hungry people live in the rural areas of developing countries.

Around 63% of the world’s poorest people work in agriculture, the overwhelming majority on small farms.

Small farms produce 50% of all food calories on 30% of the world’s agricultural land.

Economic growth in agriculture is 2 to 3 times more effective at reducing poverty and food insecurity than growth through other sectors.

Investing in rural people is a long-term solution to so many of the problems we face today.

By investing in IFAD, Member States directly improve the lives of millions of the world’s poorest and hungriest people.
A unique role in the global development architecture

IFAD is the **only UN Specialized Agency and Development Finance Institution exclusively focused** on and dedicated to transforming agriculture, rural economies and food systems.

Since 1977, IFAD has been a leader in the design, financing and implementation of **people-centred rural and agricultural development projects**.

IFAD specializes in activities that **promote inclusive, productive, resilient and sustainable rural and food system transformation**.
Focused on people in rural areas

IFAD invests in the last mile, targeting exclusively poor and food-insecure people in rural areas, who are not reached by large scale development projects provided by larger institutions.

Fragile situations: IFAD complements relief efforts with a focus on longer-term recovery and resilience of rural populations, helping to protect and restore their livelihoods.

Climate and environment: IFAD has a leadership role in ensuring that global climate finance reaches small-scale producers and rural poor people.

Pockets of poverty: IFAD targets poor rural people universally addressing the root causes of inequalities.
IFAD is broadening funding to respond to increased challenges

The number of undernourished people in the world continued to increase in 2019.

Demand for official development assistance, particularly in the rural sector, is expected to significantly increase due to the current pandemic.

Projections show a widening financing gap to reach SDGs 1 and 2.

Donor governments need to double their current spending on food security, accompanied by an additional US$19 billion per year from low- and middle-income countries’ own budgets, to end hunger by 2030.

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At a global level, demand for development assistance will increase as a result of COVID-19

COVID-19 economic shock and impact on IFAD Target population

- Limits ability of markets to function
- Rural people impeded from accessing inputs, finance, extension, markets
- Food systems interrupted
  - Delayed delivery of project activities and pipeline

Target groups lose income and work opportunities

Flexibility to immediately support ongoing programmes

Additional targeted interventions to mitigate impact and build resilience

Leverage partnerships and support coherent policy response

**IFAD Integrated Response**
- working with governments and partners (UN, IFIs, non-state sector)

**Rural Poor Stimulus Facility**
- Initiated by IFAD in response to COVID-19 towards inputs, market access, and financial and digital services

IFAD12 as part of longer term response
Integrated offer to adapt to changing needs

**INVESTMENTS**

Programme of Loans and Grants

Programme of Work

Co-financing

**POLICY AND KNOWLEDGE**

Policy engagement

Partnerships

Knowledge

**EXPANDED IMPACT**

Goal: increased income

Strategic Objectives

SO1: increased production

SO2: increased market access

SO3: greater resilience

**Note:** The Private Sector Finance Programme (PFSP) and the Adaptation for Smallholder Agriculture Programme+ (ASAP+) are multi-donor trust funds outside IFAD-only balance-sheet

**Rural Poor Stimulus Facility**

Initiated by IFAD in response to COVID-19 towards inputs, market access, and financial and digital services
Delivers tangible impact to people

Thanks to domestic co-financing of operations, IFAD earns the support of its member countries by surpassing targets on its stated goals.

- **62 million** experienced economic mobility
- **50 million** reported improved market access
- **26 million** improved resilience
- **47 million** reported improved production
- **130 million** poor rural people as at 2019
Overview of shareholding* structure
Large and geographically dispersed membership

177 Member States
- Diversified global shareholder base
- Preferred Creditor Treatment
- Robust credit quality with 20% of members being AAA
- Highly-rated non borrowing countries are significant shareholders

Ratings status of shareholders
- AAA: 20.2%
- AA or better: 40.7%
- A or better: 49.7%

<table>
<thead>
<tr>
<th>Primarily contributing countries</th>
<th>Voting rights**</th>
<th>Primarily recipient countries</th>
<th>Voting rights**</th>
</tr>
</thead>
<tbody>
<tr>
<td>United States</td>
<td>7.0%</td>
<td>China</td>
<td>1.8%</td>
</tr>
<tr>
<td>Germany</td>
<td>4.1%</td>
<td>India</td>
<td>1.6%</td>
</tr>
<tr>
<td>Japan</td>
<td>4.0%</td>
<td>Brazil</td>
<td>0.8%</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>3.8%</td>
<td>Republic of Korea</td>
<td>0.5%</td>
</tr>
<tr>
<td>Italy</td>
<td>3.7%</td>
<td>Mexico</td>
<td>0.5%</td>
</tr>
<tr>
<td>Netherlands</td>
<td>3.7%</td>
<td>Pakistan</td>
<td>0.5%</td>
</tr>
<tr>
<td>Saudi Arabia</td>
<td>3.3%</td>
<td>Argentina</td>
<td>0.4%</td>
</tr>
<tr>
<td>Canada</td>
<td>3.3%</td>
<td>Egypt</td>
<td>0.4%</td>
</tr>
<tr>
<td>Sweden</td>
<td>3.2%</td>
<td>Turkey</td>
<td>0.4%</td>
</tr>
<tr>
<td>France</td>
<td>3.2%</td>
<td>Sri Lanka</td>
<td>0.3%</td>
</tr>
<tr>
<td>Other 30 members</td>
<td>21.9%</td>
<td>Other 127 members</td>
<td>31.5%</td>
</tr>
<tr>
<td><strong>Total: 40 members</strong></td>
<td>61.2%</td>
<td><strong>Total: 137 members</strong></td>
<td>38.8%</td>
</tr>
</tbody>
</table>

* Shareholders are IFAD Member States

** As at 7th January 2021
Strong historical donor support over 11 replenishment cycles

Top 10 Contributors since inception (pledges, US$ million)

0 200 400 600 800 1,000 1,200

United States
United Kingdom
Germany
Netherlands
Italy
Japan
Canada
Saudi Arabia
Sweden
France

IFAD equity and replenishments (US$ million)

Equity
Replenishments
## Strong capital base

### 2020 IFAD Financial Position

*in US$ million in nominal terms*

<table>
<thead>
<tr>
<th>Other assets</th>
<th>US$668</th>
</tr>
</thead>
<tbody>
<tr>
<td>Liquidity</td>
<td>US$1,165</td>
</tr>
<tr>
<td>Net loans outstanding</td>
<td>US$8,050</td>
</tr>
<tr>
<td>Other liabilities</td>
<td>US$526</td>
</tr>
<tr>
<td>Borrowings</td>
<td>US$1,155</td>
</tr>
<tr>
<td>Total</td>
<td>US$9,883</td>
</tr>
<tr>
<td>Net equity</td>
<td>US$8,203</td>
</tr>
</tbody>
</table>

- Moderate size of the balance sheet compared to peers
- More than 90% of loans financed through paid-in capital in the form of Member replenishment contributions, and prospects to grow through leverage
- Distribution of loan portfolio:
  - 83% highly concessional loans
  - 10% ordinary loans
  - 7% blend loans

*Note: IFAD indicators on Equity, may differ from Fitch Equity indicator due to adjustments, as definition of Equity: Total equity net of retained earning.*
Globally diversified loan portfolio

93 countries

203 ongoing projects

IFAD financing US$7.5 billion

Mobilization US$17.2 billion

Mobilization ratio 1.3

8% Latin America and the Caribbean

12% Near East and Europe

28% Asia

52% Africa
Loan portfolio distribution: global exposure

- 100% sovereign exposure
- Highly diversified portfolio inherently less exposed to regional crisis
- Solid development-related asset performance with a mix of countries in different income categories
- Average rating of the loan book (B+) in line with peers
- Single country limit: nominal country exposure < 20 per cent of Initial Capital Available (ICA)
- Maximum country allocation through Performance-Based Allocation System: 5 per cent of total allocated

<table>
<thead>
<tr>
<th>Rank</th>
<th>Country</th>
<th>Fitch rating</th>
<th>Outstanding (US$ million)</th>
<th>Share</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>China</td>
<td>A+</td>
<td>574</td>
<td>7.0%</td>
</tr>
<tr>
<td>2</td>
<td>India</td>
<td>BBB-</td>
<td>517</td>
<td>6.3%</td>
</tr>
<tr>
<td>3</td>
<td>Bangladesh</td>
<td>BB-</td>
<td>484</td>
<td>5.9%</td>
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<tr>
<td>4</td>
<td>Ethiopia</td>
<td>CCC</td>
<td>390</td>
<td>4.8%</td>
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<tr>
<td>5</td>
<td>Pakistan</td>
<td>B-</td>
<td>288</td>
<td>3.5%</td>
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<tr>
<td>6</td>
<td>Viet Nam</td>
<td>BB</td>
<td>274</td>
<td>3.4%</td>
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<tr>
<td>7</td>
<td>Uganda</td>
<td>B+</td>
<td>269</td>
<td>3.3%</td>
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<td>8</td>
<td>Tanzania</td>
<td>(NR)</td>
<td>267</td>
<td>3.3%</td>
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<td>9</td>
<td>Nigeria</td>
<td>B</td>
<td>225</td>
<td>2.8%</td>
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<td>10</td>
<td>Indonesia</td>
<td>BBB</td>
<td>191</td>
<td>2.3%</td>
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</table>

**Total Top 10** 3,479 42.7%

**11-99** Remaining countries 4,677 57.3%

**Total portfolio** 8,156 100.0%
High loan portfolio quality
Strong preferred creditor treatment that mitigates credit risk

Countries prioritize payment to IFAD

Low NPLs with NPL track record aligned to the experience of peers

Supported by strict suspension rules

Strong preferred creditor treatment despite the challenging environment
In support of all sectors of rural agriculture

- **ACCESS TO MARKETS**: 29%
- **ENVIRONMENT AND NATURAL RESOURCES**: 4%
- **INCLUSIVE RURAL FINANCE**: 12%
- **POLICY AND INSTITUTIONS**: 13%
- **PROGRAMME MANAGEMENT**: 12%
- **PRODUCTION SECTORS**: 28%
- **SOCIAL SERVICES**: 2%

IFAD's current portfolio by sector.
Catalytic effect and long lasting strategic partnerships

IFAD’s main cofinanciers (since inception in 1978, US$ million)

<table>
<thead>
<tr>
<th>Category</th>
<th>Funding</th>
<th>2,000</th>
<th>4,000</th>
<th>6,000</th>
<th>8,000</th>
<th>10,000</th>
<th>12,000</th>
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<td>Multi-Lateral Organisations</td>
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<td>Beneficiaries</td>
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<td>Bi-Lateral Organisations</td>
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<td>Private Sector Organisations</td>
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<td>Inter-Governmental Organisations</td>
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<td>United Nations Agencies</td>
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<td>Regional Organisation</td>
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<td>Non-Governmental Organisations</td>
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<tr>
<td>Not for profit organisation</td>
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<tr>
<td>Foundation/Trust</td>
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Liquidity management
High quality portfolio, focused on capital preservation

Portfolio composition by currency
- 31% USD
- 69% EUR

Currency composition guided by ALM

Portfolio composition by products
- 35% Global credit bonds
- 38% Global government bonds
- 27% Cash

Maximum country and issuer exposure: 25% of the portfolio

Rating composition of the investment portfolio
- AA- and better at minimum 60% of investments
- 27% AAA
- 45% AA
- 28% AA+ and better

Security: preservation of the value of invested assets
Liquidity: resources must be readily available if and as required by Operations
Return: the highest possible return within the above conditions in a non-speculative manner
Integrated Risk Management Policy Framework

**Capital Adequacy Policy**

To preserve IFAD’s capital from erosion and ensure efficient utilization of capital:
- Deployable capital: > 0 per cent
- Core risk capital consumption: < 80 per cent
- Non-core risk capital consumption: < 10 per cent
- Buffer: 10 per cent

**ALM Framework**

To ensure monitoring and management of risks emerging from a more diversified asset and liability profile

**Liquidity Policy**

To ensure that IFAD hold a safe liquidity buffer to support borrowers in adverse situations:
- Minimum Liquidity Requirement: 12 months of projected disbursements of loans, grants and scheduled repayments of debt
- Target Liquidity Level: 80-100 per cent of 24 months of stressed net cash flows

**Investment Policy Statement**

To ensure a very conservative approach to the investment portfolio asset allocation, aiming to improved liquidity and quality of treasury assets
IFAD’s Key Credit Factors: Summing up to AA+ S&P / AA+ Fitch

**VERY STRONG CAPITAL STRUCTURE**
- Excellent capitalization with equity increasing since inception, thanks to successful replenishments
- Fitch equity/assets ratio far exceed the 25% 'excellent' threshold

**PREFERRED CREDITOR TREATMENT**
- Moderate credit risk
- Preferred creditor treatment
- Relatively small size and low debt servicing costs, affordable loans

**GLOBAL BEST PRACTICES IN RISK MANAGEMENT**
- Strong financial and risk policies adapted to meet changing funding structure
- Experienced Treasury and Risk team

**LIQUIDITY: HIGH, AND IMPROVING QUALITY – AMPLE SIZE**
- Strong liquidity, bolstered by a well-managed liquidity policy
- High-quality investment portfolio

**CLOSE ALIGNMENT WITH POLICY PRIORITIES OF MEMBERS**
- Importance of policy mandate with agricultural and rural development key to meet SDGs
- Full government ownership for successful project implementation
Strong rating
Prudent leverage
Sovereign support
No poverty
Zero hunger
Low risk
Historical funding profile
Member equity contribution and modest borrowing

<table>
<thead>
<tr>
<th>Ratio</th>
<th>31 Dec 2020</th>
<th>Threshold</th>
</tr>
</thead>
<tbody>
<tr>
<td>Debt coverage ratio</td>
<td>4.1%</td>
<td>&lt; 50%</td>
</tr>
<tr>
<td>Liquidity ratio</td>
<td>11.8%</td>
<td>&gt; 5%</td>
</tr>
<tr>
<td>Debt/Equity ratio</td>
<td>14.6%</td>
<td>&lt; 35%</td>
</tr>
</tbody>
</table>
IFAD has a strong credit quality

### S&P Global Ratings

<table>
<thead>
<tr>
<th>Rating</th>
<th>Outlook</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>AA+</td>
<td>Stable Outlook</td>
<td>Long-Term foreign currency issuer credit ratings</td>
</tr>
<tr>
<td>A-1+</td>
<td>Stable Outlook</td>
<td>Short-Term foreign currency issuer credit ratings</td>
</tr>
</tbody>
</table>

### Fitch Ratings

<table>
<thead>
<tr>
<th>Rating</th>
<th>Outlook</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>AA+</td>
<td>Stable Outlook</td>
<td>Long-Term issuer rating</td>
</tr>
<tr>
<td>F1+</td>
<td>Stable Outlook</td>
<td>Short-Term issuer rating</td>
</tr>
</tbody>
</table>

- Strong enterprise risk profile
- Robust record of membership support, strong preferred creditor treatment
- Extremely strong financial risk profile
- Funding is assessed as strong, reflected by a strong one year funding gap
- IFAD's liquidity remains robust
- Excellent capitalization
- IFAD's strength of preferred creditor status is excellent
- Risk Management policies are assessed as strong
- Concentration risk is low
- Liquidity profile assessed at AA+
- Limited interest rate risk and FX risk reflect very low market risks
Funding strategy for IFAD12 (2022-2024)

Guided by IFAD’s Integrated Borrowing Framework

Targeting private institutional investors with a strong ESG focus and alignment with IFAD’s mission

Through bilateral loans and private bond placements

Targeted overall size for the triennium: US$ 1.0-1.5 bn

Focused on US$ and EUR
IFAD’S SUSTAINABLE DEVELOPMENT FINANCE FRAMEWORK
Funding and alignment to SDGs through IFAD’s SDFF

1. Use of proceeds
2. Process for project evaluation and selection
3. Management of proceeds
4. Reporting
Funding and alignment to SDGs through IFAD’s SDFF

1. Use of proceeds
An amount equal to the net proceeds from loans to IFAD or private placement bonds issued by IFAD will be included in IFAD’s resources. IFAD will use these resources to finance or refinance Eligible Development Projects (EDPs) in member countries. Proceeds from loans or bond private placements will not be used to finance IFAD’s administrative and operating expenses, nor to finance expenses for grants, as these expenses are covered entirely by replenishment contributions from IFAD’s Member States Replenishment contributions.

2. Process for project evaluation and selection
EDPs go through a rigorous review and approval process to ensure that they align with IFAD’s mission and meet development priorities of borrowing governments, as detailed in the jointly developed Country Strategic Opportunities Programmes (COSOP) or Country Strategies.

3. Management of proceeds
The proceeds from loans and bond private placements sourced under the SDFF will be allocated within IFAD’s investment portfolio to a special sub-portfolio linked to IFAD’s lending operations to “EDPs”.

4. Reporting
IFAD will produce an annual impact report under the SDFF. The report will include the total amount of financing approved under the framework with a lookback period of 36 months, disbursement patterns and outstanding balance of proceeds from loans and private bond placements as well as planned or achieved results.
IFAD’s projects contribute to the SDG strategic priorities

<table>
<thead>
<tr>
<th>ENVIRONMENT AND NATURAL RESOURCES</th>
<th>PRODUCTION SECTORS</th>
<th>INCLUSIVE RURAL FINANCE</th>
<th>SOCIAL SERVICES</th>
<th>ACCESS TO MARKETS</th>
<th>POLICY AND INSTITUTIONS</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. CLIMATE CHANGE ADAPTATION AND MITIGATION</td>
<td>2. GENDER</td>
<td>3. YOUTH</td>
<td>4. NUTRITION</td>
<td>5. SDFF</td>
<td>6. ANNEXES</td>
</tr>
</tbody>
</table>

**Vision and Mandate**

- What is IFAD
- Financial Strength
- Funding
- SDFF
- Annexes
High social, environmental and climate standards (SECAP) requirements for borrowers, recipients and partners

SECAP assessment throughout the project cycle

<table>
<thead>
<tr>
<th>PROJECT STAGE</th>
<th>SECAP PROCEDURES</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Concept (OSC)</td>
</tr>
<tr>
<td>2</td>
<td>Design (DRM)</td>
</tr>
<tr>
<td>3</td>
<td>QAG desk review</td>
</tr>
<tr>
<td>4</td>
<td>Loan negotiation</td>
</tr>
<tr>
<td>5</td>
<td>Board approval</td>
</tr>
<tr>
<td>6</td>
<td>Implementation</td>
</tr>
<tr>
<td>7</td>
<td>Completion</td>
</tr>
</tbody>
</table>

- Biodiversity conservation
- Cultural heritage
- Resource efficiency and pollution prevention
- Community health and safety
- Physical and economic resettlement
- Indigenous peoples
- Financial intermediaries (NEW - private sector)
- Climate Change (NEW)

SDFF

WHAT IS IFAD  VISION AND MANDATE  FINANCIAL STRENGTH  FUNDING  SDFF  ANNEXES
Tracking of SDG Contribution

IFAD’s projects capture information about a core set of activities, which can be matched against SDGs targets. The matching process assessed alignment between the types of results generated by each activity, measured through quantitative core indicators (CI), and the objective of the SDG target.

The contribution of a CI to an SDG target is deemed **DIRECT** if the alignment of the CI’s outputs/outcomes to the SDG target is a perfect or close to perfect match. The contribution is deemed **INDIRECT** if the alignment of the CI’s outputs/outcomes to the SDG target (s) is secondary – that is to say it creates an additional benefit by investing in these activities.

This mapping allows IFAD to relay to stakeholders, including member states, investors, and the public, how IFAD has helped to deliver against each SDG target.
### Example of SDG tracking: Nutrition – Indicator 1.1.8

<table>
<thead>
<tr>
<th>Core Indicator</th>
<th>SDG Goal</th>
<th>Specific SDG targets</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.1.8 IFAD CORE INDICATOR</td>
<td><strong>2 ZERO HUNGER</strong></td>
<td>2.1 DIRECT LINK</td>
</tr>
<tr>
<td>Number of persons/households provided with targeted support to improve their nutrition</td>
<td><strong>2 ZERO HUNGER</strong></td>
<td>2.2 INDIRECT LINK</td>
</tr>
<tr>
<td><strong>6 CLEAN WATER AND SANITATION</strong></td>
<td></td>
<td>6.1 INDIRECT LINK</td>
</tr>
</tbody>
</table>
Sample project portfolio: highlights

Portfolio by region
- Asia and Pacific: 74%
- Latin America and Caribbean: 6%
- Eastern and Southern Africa: 4%
- North and East Africa: 16%

Portfolio by sector
- Access to markets: 52%
- Production sector: 22%
- Policy and institutions: 19%
- Environment, nat. resources and climate: 7%

17 projects financed
US$778.4 million IFAD financing
US$1,861.5 million total financing
Result-based programmes and projects that transform lives of poor rural people

WHAT IS IFAD  VISION AND MANDATE  FINANCIAL STRENGTH  FUNDING  SDFF  ANNEXES
**Objective**
Improving the food and nutrition security of targeted households and boosting agricultural productivity and the resilience of targeted households.

**Expected Results**
- Provision of services to **218,000** poor rural households, **65,400** households in the south and **152,000** households in the north
- Developing of rural infrastructure to build resilience and enhance productivity and market access, with **40,000** households reporting improved access to water, land and road infrastructure

**Key Facts**
- Sector: rural development
- Approval year: 2019
- Tenor: 23 years including a grace period of 7 years
- Total financing: USD 150 million
- IFAD financing: USD 29,755 million
OBJECTIVE
Assisting rural households to increase their incomes, food and nutritional security and resilience in targeted upland areas. UPLANDS will directly work with rural households, farmers’ group and women’s group. High priority is given to youth.

EXPECTED RESULTS
✧ 30,000 households direct beneficiaries in 7 provinces of Indonesia

KEY FACTS
✧ Sector: agricultural development
✧ Approval year: 2019
✧ Tenor: 13 years including a grace period of 6 years
✧ Total financing: USD 151.66 million
✧ IFAD financing: USD 50.0 million
## COVID-19 Rural Poor Stimulus Facility

<table>
<thead>
<tr>
<th>Category</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Provision of Inputs and Basic Assets for Production</strong></td>
<td>Inputs and basic assets provided to small-scale farmers to support production and weather immediate effects of economic crisis.</td>
</tr>
<tr>
<td><strong>Facilitated Access to Markets</strong></td>
<td>Support market access, including logistics and storage support to avoid losses, facilitating transport, and ensuring markets remain open and demand high.</td>
</tr>
<tr>
<td><strong>Adapted Financial Services</strong></td>
<td>Delivery of targeted funds through existing finance institutions in IFAD project areas to ensure businesses remain solvent and farmers meet immediate loan repayment requirements.</td>
</tr>
<tr>
<td><strong>Digital Solutions to Sharing Information</strong></td>
<td>Provision of digital agricultural services to facilitate up-to-date information on production, weather, market prices and other important areas.</td>
</tr>
</tbody>
</table>
IFAD governance structure

**Governing Council:** Held annually, the Governing Council is the Fund's main decision-making body and is open to all Member States.

**Executive Board:** Held three times a year, the Executive Board is responsible for overseeing the general operations of IFAD and for approving its programme of work. Membership on the Executive Board is determined by the Governing Council.

**Evaluation Committee:** The Evaluation Committee is a sub-committee of the Executive Board which performs in-depth reviews of selected evaluation issues and the Independent Office of Evaluation's strategies and methodologies.

**Audit Committee:** The Audit Committee is a sub-committee of the Executive Board of IFAD and deals with audit-related matters on an ad hoc basis.

**Management:** The President chairs the Executive Board and is responsible for overall management of the Fund. The President is selected by the Member States for a four-year term that is renewable once.
## Capital Adequacy Policy

**Deployable capital (DC)** is the main measure to assess IFAD’s capital utilization and the availability of resources to support future commitments. It is composed of:

- **Total initial capital available (ICA):** Total equity – contributions and promissory notes receivable + allowance for loan losses
- **Total resources required (TRR):** The aggregation of capital requirements for IFAD’s risk exposure (valuation adjustment, credit risk, currency risk, market risk in the investment portfolio and operational risk)
- **Buffer**

## Metrics and thresholds

- Deployable capital (DC) = $> 0\%$
- Core risks $< 80\%$
- Non-core risks $< 10\%$
- Buffer = 10% of initial capital available (ICA)
- Nominal country exposure $< 20\%$
- Leverage = Financial Liabilities/ICA = 35%-50%

## Liquidity policy

Liquid assets compared to the:

- **Minimum Liquidity Requirement (MLR) and**
- **Target Liquidity Level (TLL)**

## Metrics and thresholds

- Minimum Liquidity Requirement: 12 months of projected disbursements of loans, grants and scheduled repayments of debt
- Target Liquidity Level: 80-100 per cent of 24 months of stressed net cash flows
### Risk metrics at a glance 2/2

#### Investment Policy Statement

*The risk tolerance level for the portfolio is set at a conditional value at risk of 3%.*

| Credit rating for eligible asset classes | Individual assets: A- or above (AAA for Asset Backed Securities)  
Overall portfolio must be 60% in AA- or above |
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Concentration limits such as maximum country and issuer exposure</td>
<td>Determined in IFAD's investment guidelines</td>
</tr>
</tbody>
</table>
| Risk measurements include duration, standard deviation, ex ante tracking error (active risk), value at risk (VaR) and conditional value at risk (CVaR) | IFAD's main market risk measure is CVaR, set at 3% for the one-year CVaR at 95% confidence level.  
Overall portfolio duration must be no lower than zero (i.e. divesting into cash, lower limit) and no higher than five years (upper limit). |
| Percentage deviation from target currency ratios | IFAD aims to ensure that its assets are held in the same currency composition as its future commitments |

#### Integrated Borrowing Framework

- Debt/Equity < 35 per cent, defined as (Total outstanding debt principal/Initial capital available)
- Liquidity > 5 per cent, defined as (Cash in hand and in banks + investments)/total assets
- Debt coverage < 50 per cent, defined as Total debt service (principal and interest)/total loan reflows
Financial highlights

As at December 2020, IFAD was compliant with all the risk limits established in the exposure management framework set out in the Capital Adequacy Policy.

<table>
<thead>
<tr>
<th>Limit (限) %</th>
<th>Dec 2020 (%)</th>
<th>Dec 2019 (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Deployable capital</td>
<td>&gt;0</td>
<td>39.3</td>
</tr>
</tbody>
</table>

Target limits

<table>
<thead>
<tr>
<th>Limit (限) %</th>
<th>Dec 2020 (%)</th>
<th>Dec 2019 (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Leverage</td>
<td>35-50</td>
<td>14.6</td>
</tr>
<tr>
<td>Core risk capital consumption</td>
<td>&lt;80</td>
<td>48.5</td>
</tr>
<tr>
<td>Non-core risk capital consumption</td>
<td>&lt;10</td>
<td>2.1</td>
</tr>
</tbody>
</table>

Prudential limit

<table>
<thead>
<tr>
<th>Limit (限) %</th>
<th>Dec 2020 (%)</th>
<th>Dec 2019 (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Single country limit</td>
<td>&lt;20</td>
<td>8.1</td>
</tr>
</tbody>
</table>

The Fund’s Deployable capital ratio was 40%, well above its prudential limit of 0%.

Despite the gradual introduction of debt, the capitalization of IFAD is extremely strong: Equity represents 83% of IFAD’s total Assets (including receivables).

<table>
<thead>
<tr>
<th>Assets</th>
<th>Dec 2020</th>
<th>Dec 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and investments</td>
<td>1 165</td>
<td>1 004</td>
</tr>
<tr>
<td>Net contributions and promissory note receivables</td>
<td>385</td>
<td>610</td>
</tr>
<tr>
<td>Outstanding loans</td>
<td>8 177</td>
<td>7 614</td>
</tr>
<tr>
<td>Allowance for loan losses</td>
<td>(120)</td>
<td>(103)</td>
</tr>
<tr>
<td>Allowance for the Heavily Indebted Poor Countries Initiative</td>
<td>(7)</td>
<td>(9)</td>
</tr>
<tr>
<td>Other assets</td>
<td>283</td>
<td>284</td>
</tr>
<tr>
<td>Total assets</td>
<td>9 883</td>
<td>9 400</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Liabilities and Equity</th>
<th>Dec 2020</th>
<th>Dec 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Borrowing liabilities</td>
<td>1 155</td>
<td>742</td>
</tr>
<tr>
<td>Other liabilities</td>
<td>526</td>
<td>532</td>
</tr>
<tr>
<td>Total liabilities</td>
<td>1 681</td>
<td>1 273</td>
</tr>
<tr>
<td>Contributions</td>
<td>9 170</td>
<td>9 073</td>
</tr>
<tr>
<td>General reserve and retained earnings</td>
<td>(967)</td>
<td>(947)</td>
</tr>
<tr>
<td>Total equity</td>
<td>8 203</td>
<td>8 126</td>
</tr>
<tr>
<td>Total liabilities + equity</td>
<td>9 883</td>
<td>9 400</td>
</tr>
</tbody>
</table>
OUR PUBLICATIONS

Scan the QR codes on the side to download our publications

- IFAD Annual Report 2020
- Audited financial statements 2020
- S&P rating report
- Fitch rating report
- IFAD’s Sustainable Development Finance Framework
- IFAD12 Replenishment report
- IFAD SECAP procedures
- IFAD Strategy and Action Plan on Environment and Climate Change 2019-2025
- IFAD Strategic Framework 2016-2025